

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended December 31, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/17/07

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES

Year Ended December 31, 2005

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SPILSBURY, HAMILTON, LEGENDRE & PACIERA

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Orleans Neighborhood Development Foundation
and Subsidiaries
New Orleans, Louisiana

We have audited the accompanying consolidated statement of financial position of New Orleans Neighborhood Development Foundation and Subsidiaries ("the Foundation") (a non-profit organization) as of December 31, 2005, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2004 financial statements and, in our report dated July 8, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Orleans Neighborhood Development Foundation and Subsidiaries as of December 31, 2005, and the changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

To the Board of Directors
New Orleans Neighborhood Development Foundation
and Subsidiaries

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2007 on our consideration of New Orleans Neighborhood Development Foundation and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of New Orleans Neighborhood Development Foundation and Subsidiaries taken as a whole. The consolidating schedules included in the supplementary information were presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual companies. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Spilbury, Hamilton, Legendre & Paciera

June 18, 2007

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005
(With Summarized Financial Information
at December 31, 2004)

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 285,017	\$371,216
Certificates of deposit	24,933	49,418
Accounts receivable	113,716	84,644
Contributions receivable	0	40,500
Prepaid expenses	<u>401</u>	<u>3,107</u>
<i>Total Current Assets</i>	<u>424,067</u>	<u>548,885</u>
<u>INVESTMENTS</u>		
Mutual funds	131,638	67,803
Closely-held corporate stock	561	561
Land	130,228	160,535
Land improvements	<u>522,712</u>	<u>0</u>
<i>Total Investments</i>	<u>785,139</u>	<u>228,899</u>
<u>PROPERTY AND EQUIPMENT</u>		
Office furniture and equipment	60,732	73,453
Less: Accumulated depreciation	<u>56,331</u>	<u>63,882</u>
<i>Total Property and Equipment</i>	<u>4,401</u>	<u>9,571</u>
<i>Total Assets</i>	<u>\$1,213,607</u>	<u>\$787,355</u>

See accompanying notes to financial statements.

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
DECEMBER 31, 2005
(With Summarized Financial Information
at December 31, 2004)

	<u>2005</u>	<u>2004</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 8,632	\$ 8,345
Payroll taxes payable	20,279	2,137
Accrued salaries	3,038	0
Accrued vacation	1,870	1,870
Current portion of long-term notes payable	20,000	18,750
Line of credit	<u>500,178</u>	<u>65,535</u>
<i>Total Current Liabilities</i>	553,997	96,637
<u>LONG-TERM NOTES PAYABLE</u>	<u>5,000</u>	<u>6,250</u>
<i>Total Liabilities</i>	<u>558,997</u>	<u>102,887</u>
<u>NET ASSETS</u>		
Unrestricted net assets	640,232	622,508
Temporarily restricted net assets	<u>14,378</u>	<u>61,960</u>
<i>Total Net Assets</i>	<u>654,610</u>	<u>684,468</u>
<i>Total Liabilities and Net Assets</i>	<u>\$1,213,607</u>	<u>\$787,355</u>

See accompanying notes to financial statements.

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005
(With Summarized Financial Information
for the Year Ended December 31, 2004)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2005</u>	<u>Total 2004</u>
<u>SUPPORT AND REVENUE</u>				
Corporate donations	\$123,603	\$ 0	\$123,603	\$ 148,402
Foundation donations	55,909	0	55,909	50,500
Individual donations	100	0	100	75
In-kind donations	16,323	0	16,323	67,516
Registration fees	6,659	0	6,659	13,049
Registration fees - Program income	5,886	0	5,886	3,993
Fund raising - House party	64,288	0	64,288	50,088
Fund raising - Monday Night Huddle	0	0	0	2,299
Interest income	1,034	0	1,034	268
Dividend income	5,907	0	5,907	3,135
Miscellaneous income	7,590	0	7,590	6,961
Grant income	200,991	0	200,991	682,418
Landlord training fees	990	0	990	1,953
Contract services	900	0	900	9,404
Developer fees	1,500	0	1,500	7,500
Inspection fee	0	0	0	520
Unrealized (losses)	(475)	0	(475)	(2,312)
Net gain on sale of property	19,053	0	19,053	23,350
Net assets released from donor restrictions:				
Satisfaction of program restrictions	<u>47,582</u>	<u>(47,582)</u>	<u>0</u>	<u>0</u>
Total Support and Revenue	<u>\$557,840</u>	<u>\$(47,582)</u>	<u>\$510,258</u>	<u>\$1,069,119</u>

See accompanying notes to financial statements.

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
(Continued)
YEAR ENDED DECEMBER 31, 2005
(With Summarized Financial Information
for the Year Ended December 31, 2004)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2005</u>	<u>Total 2004</u>
<u>EXPENSES AND LOSSES</u>				
Program Services:				
Affordable housing program	\$317,841	\$ 0	\$317,841	\$683,261
Rehabilitation program	<u>557</u>	<u>0</u>	<u>557</u>	<u>450</u>
Total Program Services	318,398	0	318,398	683,711
Supporting Services:				
Fund-raising	20,057	0	20,057	20,401
Management and general	<u>194,763</u>	<u>0</u>	<u>194,763</u>	<u>187,565</u>
Total Supporting Services	214,820	0	214,820	207,966
Loss due to involuntary conversion	<u>6,898</u>	<u>0</u>	<u>6,898</u>	<u>0</u>
Total Expenses and Losses	540,116	0	540,116	891,677
<u>CHANGE IN NET ASSETS</u>				
Net Assets - Beginning of Year	17,724	(47,582)	(29,858)	177,442
Net Assets - End of Year	<u>622,508</u>	<u>61,960</u>	<u>684,468</u>	<u>507,026</u>
	\$640,232	\$14,378	\$654,610	\$684,468

See accompanying notes to financial statements.

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2005
(With Summarized Financial Information
for the Year Ended December 31, 2004)

	Program Services	
	Affordable Housing Program	Rehabilitation Program
Salaries	\$122,851	\$ 0
Employees' retirement benefits and medical insurance	13,180	0
Payroll taxes	<u>9,749</u>	<u>0</u>
<i>Total Employee Compensation</i>	145,780	0
Advertising	627	0
Bank charges	0	0
Board expenses	0	0
Catering	0	0
Credit services	1,138	0
Depreciation	0	0
Donations	0	0
Dues and subscriptions	0	0
Education supplies	5,371	0
Entertainment	0	0
Facility rental	0	0
Inspection services	0	0
Insurance	944	0
Interest	6,418	557
Landlord training	22	0
Mileage reimbursement	0	0
Miscellaneous	6,850	0
Mortgage assistance	55,000	0
Office expense	0	0
Office rent	13,466	0
Office supplies and equipment	858	0
Postage	0	0
Printing	2,800	0
Professional services	75,568	0
Property maintenance	692	0
Public relations	0	0
Taxes and licenses	1,189	0
Telephone	1,118	0
Travel	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$317,841</u>	<u>\$557</u>

See accompanying notes to financial statements.

<u>Supporting Services</u>		<u>Total</u>	
<u>Fund-raising</u>	<u>Management and General</u>	<u>2005</u>	<u>2004</u>
\$ 0	\$102,480	\$225,331	\$199,274
0	10,994	24,174	18,073
<u>0</u>	<u>8,133</u>	<u>17,882</u>	<u>18,890</u>
0	121,607	267,387	236,237
0	1,264	1,891	1,274
128	934	1,062	970
70	1,229	1,299	814
6,702	30	6,732	7,768
0	2,793	3,931	5,168
0	2,963	2,963	3,460
0	175	175	290
0	780	780	1,565
0	0	5,371	3,951
2,400	0	2,400	3,765
3,486	0	3,486	1,084
0	0	0	2,735
0	4,766	5,710	7,059
0	0	6,975	13,837
0	0	22	30
52	1,322	1,374	577
2,240	1,731	10,821	2,549
0	0	55,000	280,000
0	10,996	10,996	3,938
0	2,313	15,779	25,945
0	13,109	13,967	16,361
585	3,110	3,695	5,003
4,394	1,546	8,740	18,016
0	8,600	84,168	230,686
0	1,145	1,837	1,981
0	2,809	2,809	3,234
0	134	1,323	748
0	6,557	7,675	9,406
<u>0</u>	<u>4,850</u>	<u>4,850</u>	<u>3,226</u>
<u>\$20,057</u>	<u>\$194,763</u>	<u>\$533,218</u>	<u>\$891,677</u>

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2005
(With Summarized Financial Information
for the Year Ended December 31, 2004)

	<u>2005</u>	<u>2004</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$(29,858)	\$177,442
Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities:		
Depreciation	2,963	3,460
Unrealized losses on investments	475	2,312
Non-cash donated property	0	(63,000)
Interest reinvested in certificate of deposit	(515)	(256)
(Increase) decrease in receivables	11,428	(49,803)
Increase (decrease) in payables	18,429	(236)
Increase (decrease) in accrued salaries	3,038	(5,068)
(Decrease) in accrued vacation	0	(665)
(Increase) decrease in prepaid expenses	2,706	(913)
(Gain) on sale disposal of assets	(12,155)	(23,350)
Net Cash Provided by (Used for) Operating Activities	<u>(3,489)</u>	<u>39,923</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of land and land improvements	(48,456)	(345,542)
(Purchase of) proceeds from certificates of deposit	25,000	(25,000)
Purchase of investment securities	(64,310)	(3,018)
Proceeds from sale of land and land improvements	125,000	546,000
Purchase of property and equipment	<u>(4,691)</u>	<u>(4,273)</u>
Net Cash Provided by Investing Activities	<u>32,543</u>	<u>168,167</u>

See accompanying notes to financial statements.

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Continued)
YEAR ENDED DECEMBER 31, 2005
(With Summarized Financial Information
for the Year Ended December 31, 2004)

	<u>2005</u>	<u>2004</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments on notes payable	\$ 0	\$ (1,250)
Payments on line of credit	<u>(115,253)</u>	<u>(235,273)</u>
Net Cash (Used for) Financing Activities	<u>(115,253)</u>	<u>(236,523)</u>
Net (Decrease) in Cash	(86,199)	(28,433)
Cash at Beginning of Year	<u>371,216</u>	<u>399,649</u>
Cash at End of Year	<u>\$285,017</u>	<u>\$371,216</u>
<u>Supplemental Disclosures of Cash Flow Information</u>		
Cash paid during the year for -		
Interest	<u>\$6,975</u>	<u>\$14,287</u>
Income taxes	<u>\$ 0</u>	<u>\$ 0</u>
<u>Supplemental Disclosure of Non-Cash Financing Activity</u>		
Purchase of land and improvements through line of credit	<u>\$554,683</u>	<u>\$65,535</u>
Forgiveness of line of credit liability	<u>\$4,787</u>	<u>\$ 0</u>

See accompanying notes to financial statements.

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

A. General Information

The New Orleans Neighborhood Development Foundation ("the Foundation") was incorporated under the laws of the State of Louisiana on April 15, 1986. Its mission is to help low and moderate income families become homeowners, with the specific aim of placing at least 100 low and moderate income families in their own home each year.

NDF Development, LLC, of which the Foundation is the sole member, was organized on September 11, 2001 as a Louisiana limited liability company. The operations of NDF Development, LLC, consist of building and selling houses.

Associated Neighborhood Development (AND), of which the Foundation is the sole member, was organized on September 16, 1996 as a Louisiana corporation. The operations of AND consist of building and selling houses.

B. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of New Orleans Neighborhood Development Foundation and its wholly-owned Subsidiaries, NDF Development, LLC, and Associated Neighborhood Development, Inc. All significant inter-Company transactions have been eliminated.

Basis of Accounting and Presentation

Assets and liabilities, and support, revenue and expenses are recognized on the accrual basis of accounting.

The financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Made," and SFAS No. 117, "Financial Statements of Not-for-Profit Organizations." SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. SFAS No. 116 requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. A description of the three net asset categories follows.

Unrestricted Net Assets - Net assets which are not subject to donor-imposed restrictions.

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
DECEMBER 31, 2005

Summary of Significant Accounting Policies (Cont'd)

Basis of Accounting and Presentation (Cont'd)

Temporarily Restricted Net Assets - Net assets which are subject to donor-imposed restrictions that may be met by the actions of the Foundation or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets stipulate that the income earned on related investments be used for specific purposes.

The Foundation has no permanently restricted assets, liabilities or activities.

Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2004, from which the summarized information was derived.

Property and Equipment

Property and equipment is stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Major additions are capitalized while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives (3 - 7 years) on a straight-line basis. Depreciation charged against operations for 2005 amounted to \$2,963.

Property and equipment for the year ended December 31, 2005 consists of the following.

Office furniture and equipment	\$60,732
Less: Accumulated depreciation	<u>56,331</u>
	<u>\$ 4,401</u>

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
DECEMBER 31, 2005

Summary of Significant Accounting Policies (Cont'd)

Property and Equipment (Cont'd)

Office equipment used in operations but not recorded on the balance sheet because title is held by grantors amounts to \$26,272.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

In-kind Donations

Certain donated materials, facilities and services are reflected as contributions in the accompanying statements at their estimated fair values at the date of receipt, with a corresponding amount being charged to the appropriate expense accounts. Contributed services are as follows: legal and accounting amounted to \$4,040; project management amounted to \$10,000; and professional fees amounted to \$2,283. In addition, a substantial number of unpaid volunteers have donated significant amounts of their time to the development of the Foundation's program services and in its fund-raising campaigns; these services have not been recorded as contributions, as they do not create or enhance non-financial assets or require specialized skills. The value of these services is not disclosed, since a basis for determination is not readily available.

Investments

Investments are recorded in accordance with SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the changes in unrestricted or temporarily restricted net assets, depending on whether or not there are donor-imposed restrictions on the gains and losses.

The Foundation carries its real estate investments at cost or at the fair value as of the dates the investments were donated to the Foundation.

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
DECEMBER 31, 2005

Summary of Significant Accounting Policies (Cont'd)

Income Taxes

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and accordingly no provision for income taxes has been reflected in the financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Cash Equivalents

For the purpose of the *Statement of Cash Flows*, all highly liquid accounts with an original maturity of three months or less are considered cash equivalents.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the *Statement of Activities*. Accordingly, certain costs have been allocated among programs and supporting services benefitted.

Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts and money market funds which, at times, may exceed federally-insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

C. Certificates of Deposit

The Foundation has two certificates of deposit totaling \$24,933.

D. Investments

Investments in equity securities with readily determinable fair market values and all investments in debt securities are stated at fair value, which is based on quoted market prices for those investments. Investments in closely-held stock were independently valued at the time the securities were donated. Since these securities do not have a readily determinable fair value, they are reported in the financial statements at their fair value as of the date of the gift. Real estate investments are stated at cost or at the fair value as of the dates the real estate investments were donated.

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
DECEMBER 31, 2005

Investments (Cont'd)

Mutual funds	\$131,638
Closely-held corporate stock	561
Land	130,228
Land improvements	<u>522,712</u>
	\$ <u>785,139</u>

E. Notes Payable

Notes payable for the year ended December 31, 2005 consist of the following.

Unsecured note payable to a foundation, dated July 10, 1987, bearing interest at 3%, interest payable annually, payable on demand	\$15,000
Unsecured note payable to a foundation, dated August 29, 1990, bearing zero interest, payable in annual installments of \$1,250, maturing August 29, 2010	<u>10,000</u>
	25,000
Less: Current maturities	<u>20,000</u>
Long-term portion	\$ <u>5,000</u>

Aggregate maturities of long-term debt for the five years subsequent to December 31, 2005 are as follows.

December 31,	
2006	\$20,000
2007	1,250
2008	1,250
2009	1,250
2010	<u>1,250</u>
	\$ <u>25,000</u>

F. Line of Credit

Associated Neighborhood Development, Inc. is authorized to borrow up to \$500,000 through a line of credit which matures December 31, 2006. Associated Neighborhood Development, Inc. assigned property being purchased as collateral. Interest is calculated at 4% per annum. At December 31, 2005, the balance outstanding on this line of credit was \$500,178.

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
DECEMBER 31, 2005

G. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Rehabilitation Program activities	<u>\$14,378</u>
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H. Tax-Deferred Annuity Plan

During the year ended December 31, 1995, the Foundation entered into a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees of the Foundation. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Foundation contributed \$1,800 for the year ended December 31, 2005.

I. Leases

The Foundation leased office space under an operating lease that provided for minimum annual lease payments. This lease expired August 8, 2005.

Office leasing expense for 2005 totaled \$15,779.

J. Involuntary Conversion

On August 29, 2005, the Foundation suffered damages to property and equipment due to Hurricane Katrina. The carrying value of the damaged property is estimated to be \$6,898, resulting in a loss of \$6,898.

SUPPLEMENTARY INFORMATION

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2005

ASSETS

	<u>New Orleans Neighborhood Development Foundation</u>	<u>Associated Neighborhood Development Inc.</u>
<u>CURRENT ASSETS</u>		
Cash	\$220,635	\$ 64,382
Certificates of deposit	24,933	0
Accounts receivable	117,704	16,450
Prepaid expenses	<u>401</u>	<u>0</u>
<i>Total Current Assets</i>	<u>363,673</u>	<u>80,832</u>
<u>INVESTMENTS</u>		
Mutual funds	131,638	0
Closely-held corporate stock	561	0
Land	0	130,228
Land improvements	<u>0</u>	<u>522,712</u>
<i>Total Investments</i>	<u>132,199</u>	<u>652,940</u>
<u>PROPERTY AND EQUIPMENT</u>		
Office furniture and equipment	60,732	0
Less: Accumulated depreciation	<u>56,331</u>	<u>0</u>
<i>Total Property and Equipment</i>	<u>4,401</u>	<u>0</u>
<i>Total Assets</i>	<u>\$500,273</u>	<u>\$733,772</u>

<u>NDF Development, LLC</u>	<u>Combined</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ 0	\$ 285,017	\$ 0	\$ 285,017
0	24,933	0	24,933
7,104	141,258	(27,542)	113,716
<u>0</u>	<u>401</u>	<u>0</u>	<u>401</u>
<u>7,104</u>	<u>451,609</u>	<u>(27,542)</u>	<u>424,067</u>
0	131,638	0	131,638
0	561	0	561
0	130,228	0	130,228
<u>0</u>	<u>522,712</u>	<u>0</u>	<u>522,712</u>
<u>0</u>	<u>785,139</u>	<u>0</u>	<u>785,139</u>
0	60,732	0	60,732
<u>0</u>	<u>56,331</u>	<u>0</u>	<u>56,331</u>
<u>0</u>	<u>4,401</u>	<u>0</u>	<u>4,401</u>
<u>\$7,104</u>	<u>\$1,241,149</u>	<u>\$(27,542)</u>	<u>\$1,213,607</u>

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
(Continued)
DECEMBER 31, 2005

LIABILITIES AND NET ASSETS

	<u>New Orleans Neighborhood Development Foundation</u>	<u>Associated Neighborhood Development, Inc.</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 8,632	\$ 23,432
Payroll taxes payable	20,279	0
Accrued salaries	3,038	0
Accrued vacation	1,870	0
Current portion of long-term notes payable	20,000	0
Line of credit	<u>0</u>	<u>500,178</u>
<i>Total Current Liabilities</i>	53,819	523,610
<u>LONG-TERM NOTES PAYABLE</u>	<u>5,000</u>	<u>0</u>
<i>Total Liabilities</i>	<u>58,819</u>	<u>523,610</u>
<u>NET ASSETS</u>		
Unrestricted net assets	427,076	210,162
Temporarily restricted net assets	<u>14,378</u>	<u>0</u>
<i>Total Net Assets</i>	<u>441,454</u>	<u>210,162</u>
<i>Total Liabilities and Net Assets</i>	<u>\$500,273</u>	<u>\$733,772</u>

<u>NDF Development, LLC</u>	<u>Combined</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$4,110	\$ 36,174	\$ (27,542)	\$ 8,632
0	20,279	0	20,279
0	3,038	0	3,038
0	1,870	0	1,870
0	20,000	0	20,000
<u>0</u>	<u>500,178</u>	<u>0</u>	<u>500,178</u>
4,110	581,539	(27,542)	553,997
<u>0</u>	<u>5,000</u>	<u>0</u>	<u>5,000</u>
<u>4,110</u>	<u>586,539</u>	<u>(27,542)</u>	<u>558,997</u>
2,994	640,232	0	640,232
<u>0</u>	<u>14,378</u>	<u>0</u>	<u>14,378</u>
<u>2,994</u>	<u>654,610</u>	<u>0</u>	<u>654,610</u>
<u>\$7,104</u>	<u>\$1,241,149</u>	<u>\$ (27,542)</u>	<u>\$1,213,607</u>

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005

	New Orleans Neighborhood Development Foundation		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Corporate donations	\$ 76,500	\$ 0	\$ 76,500
Foundation donations	55,909	0	55,909
Individual donations	100	0	100
In-kind donations	4,323	0	4,323
Registration fees	6,659	0	6,659
Registration fees -			
Program income	5,886	0	5,886
Fund raising - House party	64,288	0	64,288
Interest income	1,034	0	1,034
Dividend income	5,907	0	5,907
Miscellaneous income	7,590	0	7,590
Grant income	182,791	0	182,791
Landlord training fees	990	0	990
Contract services	900	0	900
Developer fees	1,500	0	1,500
Unrealized (losses)	(475)	0	(475)
Net gain on sale of property	0	0	0
Net assets released from			
donor restrictions:			
Satisfaction of			
program restrictions	<u>47,582</u>	<u>(47,582)</u>	<u>0</u>
 Total Support and Revenue	 <u>\$461,484</u>	 <u>\$(47,582)</u>	 <u>\$413,902</u>

Associated
Neighborhood
Development,
Inc.

NDF
Development,
LLC

<u>Total</u>	<u>Total</u>	<u>Combined</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$47,103	\$ 0	\$123,603	\$ 0	\$123,603
0	0	55,909	0	55,909
0	0	100	0	100
12,000	0	16,323	0	16,323
0	0	6,659	0	6,659
0	0	5,886	0	5,886
0	0	64,288	0	64,288
0	0	1,034	0	1,034
0	0	5,907	0	5,907
0	0	7,590	0	7,590
18,200	0	200,991	0	200,991
0	0	990	0	990
0	0	900	0	900
0	0	1,500	0	1,500
0	0	(475)	0	(475)
19,053	0	19,053	0	19,053
0	0	0	0	0
<u>\$96,356</u>	<u>\$ 0</u>	<u>\$510,258</u>	<u>\$ 0</u>	<u>\$510,258</u>

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES
(Continued)
YEAR ENDED DECEMBER 31, 2005

	New Orleans Neighborhood Development Foundation		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>EXPENSES AND LOSSES</u>			
Program Services:			
Affordable housing program	\$247,224	\$ 0	\$247,224
Rehabilitation program	<u>557</u>	<u>0</u>	<u>557</u>
Total Program Services	<u>247,781</u>	<u>0</u>	<u>247,781</u>
Supporting Services:			
Fund-raising	20,057	0	20,057
Management and general	<u>190,370</u>	<u>0</u>	<u>190,370</u>
Total Supporting Services	<u>210,427</u>	<u>0</u>	<u>210,427</u>
Loss due to involuntary conversion	<u>6,898</u>	<u>0</u>	<u>6,898</u>
Total Expenses and Losses	<u>465,106</u>	<u>0</u>	<u>465,106</u>
<u>CHANGE IN NET ASSETS</u>	(3,622)	(47,582)	(51,204)
Net Assets - Beginning of Year	<u>430,698</u>	<u>61,960</u>	<u>492,658</u>
Net Assets - End of Year	<u>\$427,076</u>	<u>\$14,378</u>	<u>\$441,454</u>

Associated
Neighborhood
Development,
Inc.

NDF
Development,
LLC

<u>Total</u>	<u>Total</u>	<u>Combined</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ 70,617	\$ 0	\$317,841	\$ 0	\$317,841
<u>0</u>	<u>0</u>	<u>557</u>	<u>0</u>	<u>557</u>
<u>70,617</u>	<u>0</u>	<u>318,398</u>	<u>0</u>	<u>318,398</u>
0	0	20,057	0	20,057
<u>4,393</u>	<u>0</u>	<u>194,763</u>	<u>0</u>	<u>194,763</u>
<u>4,393</u>	<u>0</u>	<u>214,820</u>	<u>0</u>	<u>214,820</u>
<u>0</u>	<u>0</u>	<u>6,898</u>	<u>0</u>	<u>6,898</u>
<u>75,010</u>	<u>0</u>	<u>540,116</u>	<u>0</u>	<u>540,116</u>
21,346	0	(29,858)	0	(29,858)
<u>188,816</u>	<u>2,994</u>	<u>684,468</u>	<u>0</u>	<u>684,468</u>
<u>\$210,162</u>	<u>\$2,994</u>	<u>\$654,610</u>	<u>\$ 0</u>	<u>\$654,610</u>

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION
AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2005

<u>New Orleans Neighborhood Development Foundation</u>					
	<u>Program Services</u>		<u>Supporting Services</u>		
	<u>Affordable Housing Program</u>	<u>Rehabili- tation Program</u>	<u>Fund- raising</u>	<u>Management and General</u>	<u>Sub- Total</u>
Salaries	\$122,851	\$ 0	\$ 0	\$102,480	\$225,331
Employees' retirement benefits and medical insurance	13,180	0	0	10,994	24,174
Payroll taxes	<u>9,749</u>	<u>0</u>	<u>0</u>	<u>8,133</u>	<u>17,882</u>
 Total Employee Compensation	 145,780	 0	 0	 121,607	 267,387
Advertising	0	0	0	1,264	1,264
Bank charges	0	0	128	909	1,037
Board expenses	0	0	70	1,229	1,299
Catering	0	0	6,702	30	6,732
Credit services	1,138	0	0	2,793	3,931
Depreciation	0	0	0	2,963	2,963
Donations	0	0	0	175	175
Dues and subscriptions	0	0	0	780	780
Education supplies	5,371	0	0	0	5,371
Entertainment	0	0	2,400	0	2,400
Facility rental	0	0	3,486	0	3,486
Insurance	0	0	0	4,766	4,766
Interest	0	557	0	0	557
Landlord training	22	0	0	0	22
Mileage reimbursement	0	0	52	1,322	1,374
Miscellaneous	0	0	2,240	1,084	3,324
Mortgage assistance	55,000	0	0	0	55,000
Office expense	0	0	0	10,649	10,649
Office rent	13,466	0	0	2,313	15,779
Office supplies and equipment	858	0	0	10,808	11,666
Postage	0	0	585	3,110	3,695
Printing	2,800	0	4,394	1,546	8,740
Professional services	21,671	0	0	8,600	30,271
Property maintenance	0	0	0	1,145	1,145
Public relations	0	0	0	2,809	2,809
Taxes and licenses	0	0	0	134	134
Telephone	1,118	0	0	5,484	6,602
Travel	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,850</u>	<u>4,850</u>
 Total	 <u>\$247,224</u>	 <u>\$557</u>	 <u>\$20,057</u>	 <u>\$190,370</u>	 <u>\$458,208</u>

Associated Neighborhood Development, Inc.			NDF Development, LLC			
<u>Program Services</u> <u>Affordable Housing Program</u>	<u>Supporting Services</u> <u>Management and General</u>	<u>Sub- Total</u>	<u>Sub- Total</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$225,331	\$ 0	\$225,331
0	0	0	0	24,174	0	24,174
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,882</u>	<u>0</u>	<u>17,882</u>
0	0	0	0	267,387	0	267,387
627	0	627	0	1,891	0	1,891
0	25	25	0	1,062	0	1,062
0	0	0	0	1,299	0	1,299
0	0	0	0	6,732	0	6,732
0	0	0	0	3,931	0	3,931
0	0	0	0	2,963	0	2,963
0	0	0	0	175	0	175
0	0	0	0	780	0	780
0	0	0	0	5,371	0	5,371
0	0	0	0	2,400	0	2,400
0	0	0	0	3,486	0	3,486
944	0	944	0	5,710	0	5,710
6,418	0	6,418	0	6,975	0	6,975
0	0	0	0	22	0	22
0	0	0	0	1,374	0	1,374
6,850	647	7,497	0	10,821	0	10,821
0	0	0	0	55,000	0	55,000
0	347	347	0	10,996	0	10,996
0	0	0	0	15,779	0	15,779
0	2,301	2,301	0	13,967	0	13,967
0	0	0	0	3,695	0	3,695
0	0	0	0	8,740	0	8,740
53,897	0	53,897	0	84,168	0	84,168
692	0	692	0	1,837	0	1,837
0	0	0	0	2,809	0	2,809
1,189	0	1,189	0	1,323	0	1,323
0	1,073	1,073	0	7,675	0	7,675
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,850</u>	<u>0</u>	<u>4,850</u>
<u>\$70,617</u>	<u>\$4,393</u>	<u>\$75,010</u>	<u>\$ 0</u>	<u>\$533,218</u>	<u>\$ 0</u>	<u>\$533,218</u>

SPILSBURY, HAMILTON, LEGENDRE & PACIERA

CERTIFIED PUBLIC ACCOUNTANTS

KIRTH M. PACIERA, C.P.A.
RENE G. GAUTREAU, C.P.A.
TIMOTHY L. PRIEST, C.P.A.

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(1905-1985)
KEITH T. HAMILTON, C.P.A.
(1932-2003)
LEROY P. LEGENDRE, C.P.A.
(Retired)

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
New Orleans Neighborhood Development Foundation
and Subsidiaries
New Orleans, Louisiana

We have audited the financial statements of New Orleans Neighborhood Development Foundation and Subsidiaries ("the Foundation") (a non-profit organization) as of and for the year ended December 31, 2005, and have issued our report thereon dated June 18, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Foundation in a separate letter dated June 18, 2007.

This report is intended solely for the information and use of the board of directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

Spilbury, Hamilton, Legendre, Paciera

June 18, 2007

SPILSBURY, HAMILTON, LEGENDRE & PACIERA
CERTIFIED PUBLIC ACCOUNTANTS

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(Retired)

June 18, 2007

To the Board of Directors
New Orleans Neighborhood Development Foundation
New Orleans, Louisiana

In planning and performing our audit of the financial statements of New Orleans Neighborhood Development Foundation ("the Foundation") for the year ended December 31, 2005, we considered the Foundation's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated June 18, 2007, on the financial statements of the Foundation.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows.

ORGANIZATIONAL STRUCTURE

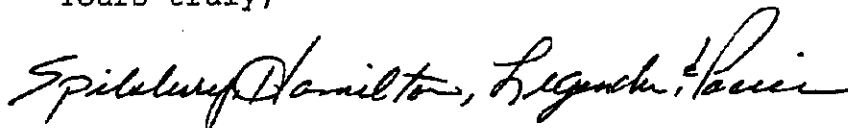
The size of the Foundation's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remain involved in the financial affairs of the Foundation to provide oversight and independent review functions.

This report is solely for the information and use of the Board of Directors, management, and others within the organization.

To the Board of Directors
New Orleans Neighborhood Development Foundation
June 18, 2007
Page 2

We would be happy to assist you in implementing any of the recommendations contained in this letter, and would like to express our appreciation to Ms. Rosalind Peychaud and her staff for the assistance and cooperation afforded us during our audit.

Yours truly,

A handwritten signature in cursive script, reading "Spilsbury, Hamilton, Legendre & Paciera".

SPILSBURY, HAMILTON, LEGENDRE AND PACIERA
Certified Public Accountants



NEIGHBORHOOD DEVELOPMENT FOUNDATION
NEW ORLEANS, LA

(504) 592-5740 • (504) 592-5743 Fax

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4731 Canal Street
New Orleans, LA 70119

As noted in your letter dated June 18, 2007 New Orleans Neighborhood Development Foundation (the "Foundation") does not have as large of an accounting and administrative staff necessary to provide optimum segregation of duties. Because of the Foundation's size the Board of Directors are heavily involved in, and provide oversight of the financial affairs.

Yours truly,

NEW ORLEANS NEIGHBORHOOD
DEVELOPMENT FOUNDATION

Rosalind Magee Psychaud, M.S.W.

Executive Director